THE FREE TRADE AGREEMENT

IMPACT ON BRITISH COLUMBIA

PROVINCE OF BRITISH COLUMBIA

88-05598/

Table of Contents

1 British Columbia's Position on Free Trade: A Summary
3 Introduction
4 The FTA – Main Elements of Agreement
11 Economic Impact Assessment
14 Major Benefits Overall
16 Sector Impacts of the FTA
16 Forest Sector
18 Energy Sector
19 Mining Sector
20 Non-Resource Manufacturing Sector
23 Agriculture, Fisheries, and Food Sector
26 Services Sector
29 Impact on Consumers
30 Adjustment Policy
31 Additional Sources of Information
32 Glossary of Terms

Canadian Cataloguing in Publication Data

Main entry under title:
The Free trade agreement:
Impact on British Columbia

ISBN 0-7726-7152-4

1. British Columbia – Commerce – United States. 2. United States – Commerce – British Columbia. 3. Canada – Commercial treaties. 4. United States – Commercial treaties. 5. Free trade and protection – Free trade. I. British Columbia. Ministry of Economic Development.

HF3229.B7146 1988
382'.09711'073
C88-092119-6

British Columbia's Position on Free Trade: A Summary

The Canadian government's agreement with the U.S. on free trade (FTA) is a significant step towards greater prosperity. British Columbia depends heavily on trade, and it is both the government of Canada's and the government of British Columbia's assessment that the FTA will help make the provincial economy grow, as have past trade liberalization measures.

The impact of the Agreement will be positive, since it:

- Creates a more secure and open trading environment with the United States, British Columbia's largest trading partner and provides access to a total market of 270 million people.
- Breaks new ground in trade negotiation, bringing areas such as services and investment under the discipline of international trade rules for the first time, anywhere
- Provides foundation for further advancement in dispute settlement, procurement, agriculture, and standards
- Enhances our efforts to achieve further trade liberalization with other countries
- Enhances British Columbia's attractiveness to domestic and foreign investors by improving access to the U.S. market
- Recognizes and respects all of our important social programs (e.g. Health care system, Unemployment Insurance, welfare, family allowance, pay equity policies, maternity benefits, etc.)
- Allows time for adjustment as many tariff changes will be phased in slowly over five to ten years
- Provides major benefits to consumers in terms of lower prices and greater variety of products.

Every major economic analysis of the FTA concludes that its advantages outweigh its disadvantages, resulting in net positive gains in economic growth and employment for both Canada and British Columbia.

The provincial government's economic forecasts for the province project that the FTA will result in:

- a 2.5 percent increase in provincial real Gross Domestic Product (GDP) by 1999
- 27,600 net new British Columbia jobs by 1999.

The published forecasts by reputable research institutions show FTA gains to be modest; it must be noted that most of the studies compare the likely effects of free trade with the likely effects of a continuation of the status quo.

The status quo is unlikely to continue. Without the FTA U.S. protectionism will probably get worse and we have already seen the effects of protectionism on our lumber and shake and shingle industries.

The forecasts also do not capture the "enterprise spirit" of British Columbia's entrepreneurs and businesses in adapting to, and taking advantage of, new opportunities. Consequently, the economic forecasts understate the benefits of the free trade agreement.

Other positive findings in the study include the following:

- in every region of the province, those employed in industries which are expected to benefit far outnumber those in industries that could be negatively affected
- within each region, benefits will accrue to both established and emerging industries
- sectors of the British Columbia economy that are expected to experience positive impacts from the FTA include:
  - Forests
  - Energy
  - Mining
  - Non-Resource Manufacturing
  - Services

The FTA is expected to have a mixed impact overall in the following sectors:

- Agriculture
- Fisheries

Not all of our objectives were fully met in the Government of Canada's Free Trade Agreement as it stands. However, the FTA is not a static agreement – it is an evolutionary agreement in which both parties acknowledge the need for further trade liberalization through ongoing negotiations in areas such as trade remedy laws, services, government procurement, and agricultural standards.

It is clear that a few industries will be unfavourably affected and that some job dislocation will occur as a result of the FTA. In order to deal with these problems, the development and implementation of trade adjustment programs will be required. British Columbia is working with the federal government to ensure that those who are disadvantaged by the Agreement have the time and resources to adjust to the new environment.

The FTA and its impact on British Columbians will not occur overnight. We will have the time to weigh the impact and respond carefully.

The full impact of the FTA will not be known until British Columbia businesses begin to work with the many advantages of the FTA. The British Columbia government will try to help everyone understand the FTA, identify its advantages, and plan their future strategies. The government will also be working to ensure that prospective investors are made fully aware of the new opportunities that the FTA opens up for the Province.

Conclusion

The British Columbia government believes that the FTA is a sound and beneficial agreement for British Columbians. Accordingly, the Province will continue to give the FTA its fullest support and will work to ensure that both Canada and the U.S. implement the Agreement and build on the momentum created by the FTA. Future efforts will be aimed at further liberalizing our trade relationships with other countries and creating even greater economic opportunities for the Province.

Introduction

With the signing of the Canada-U.S. Free Trade Agreement (FTA) on January 2, 1988, Canada has embarked on an historic undertaking – one that promises to benefit both countries by enhancing our trade and economic relations. This Agreement is of major significance to the Province of British Columbia, which for many years has relied on export markets for its economic well-being. The purpose of this document is to assess the impact of the FTA on British Columbia and explain why the British Columbia government believes this Agreement will be of major benefit to British Columbians. A Glossary of trade terms is provided at the end of the document.

British Columbia's Approach to the Bilateral Trade Negotiations

British Columbia has conducted extensive work to develop provincial positions and objectives and communicate these to the federal trade negotiators thereby bringing provincial concerns to the trade negotiating table. A key component of the provincial work has been extensive consultations between government and the private sector. A wide range of British Columbia industry associations, companies, labour unions, and consumer groups participated in these consultations during 1987. Participants were encouraged to express their views and to continue to consult with the government as the trade negotiations evolved.

The consultations produced some inescapable conclusions – British Columbia businesses of all sizes are clearly in favour of bilateral free trade and are excited about the opportunities. These conclusions have also been reflected in several membership surveys conducted by business organizations such as the Canadian Federation of Independent Business and the Business Council of British Columbia. Since the conclusion of negotiations, the government has continued to consult with the private sector in assessing the impact of the FTA on the provincial economy, identifying emerging trade opportunities, and developing strategies to help minimize possible negative impacts in particular sectors.

British Columbia business is largely in favour of free trade

Many of the key results emerging from the comprehensive provincial work program were summarized and made available to the public in three publications released over the past few years:

- Enhancing Canada's Trade Prospects: A British Columbia Perspective (August 1985)
- British Columbia Consultations on the Canada-U.S. Bilateral Trade Negotiations (May 1987)
- Building Future Opportunities – British Columbia and the Canada-U.S. Bilateral Trade Negotiations (August 1987)

British Columbia's FTA Objectives

As overriding principles in its approach to the negotiations, British Columbia set several key objectives in relation to a bilateral trade agreement:

- to broaden and diversify the provincial economy
- to secure and enhance access to the U.S. market
- to obtain relief from U.S. trade remedy law
- to minimize the costs to British Columbia and British Columbians of obtaining a Canada-United States trade agreement
- to maximize consumer benefits (lower prices, increased diversity of products)
- to liberalize the environment for new investment

In general, British Columbia's objectives were met with a minimum of cost to the Province. While the FTA is not perfect, it is important to remember that where the Agreement has fallen short, further negotiations are provided for and future progress is anticipated. In many respects, the FTA is a snapshot record of progress made to date in an evolutionary trade agreement. The provisions of the Agreement itself provide for future work in critical areas such as subsidies, agriculture, government procurement, and services. In addition, the Agreement has provided for ongoing consultations, which are expected to yield improvements and new developments in areas such as investment, dispute settlement, and the reduction of non-tariff barriers.

British Columbia will continue to work actively within this evolving FTA framework to ensure that the Province's objectives are achieved as fully as possible.

The FTA – Main Elements of Agreement

The FTA is generally based on the concept of "national treatment." This concept requires each country to treat goods originating from the other in the same manner as it treats goods of domestic origin. National treatment, though, does not require that the two countries "harmonize" the treatment of goods (e.g., Canada maintains the ability to impose stringent gun control laws). The main elements of the Agreement are as follows:

■ Tariffs and Rules of Origin:

The Agreement provides for the removal of all bilateral tariffs in accordance with a three-phase approach ('immediate' removal on January 1, 1989, removal in 5 years, and removal in 10 years). Goods that originate entirely within the U.S. or Canada or that satisfy the Agreement's Rules of Origin will qualify for the new tariff treatment.

■ Energy:

Both governments have agreed to eliminate all duties on imported energy products. Thus, market access for Canadian energy product exports to the U.S. is secured and enhanced.

■ Services:

The Agreement provides a set of disciplines covering many service sectors. In the future, both governments will extend the concept of national treatment to the other country's services.

■ Investment:

In the future, both governments will extend the concept of national treatment to investments made by nationals of the other country. In addition, Canada has agreed to raise the threshold for the review of U.S. direct acquisitions and to phase out the review of U.S. indirect acquisitions.

■ Temporary Access:

In order to further facilitate trade in services and goods, both governments have agreed to alter border crossing procedures to allow easier access for specified business personnel.

■ Trade Law:

A new bilateral dispute settlement mechanism has been developed to ensure the fair application of respective anti-dumping and countervail laws. Either government must trigger a binding binational panel review at the request of a party to a trade action who has a right to judicial review. Safeguard action disputes will be referred to consultations and, if no resolution is reached, to binding arbitration.

■ Technical Standards:

The two governments have agreed to build on the General Agreement on Tariffs and Trade (GATT) Standards Code in order to reduce technical barriers that interfere with trade. In relation to agricultural matters, both countries will work toward the reduction of technical regulations that unduly interfere with trade, while still protecting human, animal, and plant life.

■ Wine and Distilled Spirits:

The two governments agree to provide national treatment in listing, pricing, and distribution practices (with certain exceptions) in relation to wines and distilled spirits.

■ Government Procurement:

Canada and the U.S. have agreed to expand access for each other's suppliers wishing to sell to the respective federal governments.

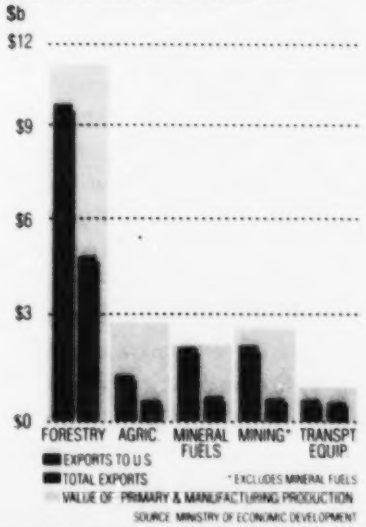
■ Institutional Provisions:

Disputes arising as a result of the general operation of the Agreement will be referred to consultations. If the consultative process does not produce a satisfactory resolution, such disputes will then be referred to arbitration. The arbitration process is binding in cases where both governments agree to be bound by the arbiter's decision. A Canada-U.S. Trade Commission will be established to oversee the general dispute settlement process and the implementation of the Agreement.

International Trade and the Province's Economic Development

The British Columbia economy, like other small industrialized economies such as those of Australia and Sweden, depends heavily on trade. Production from the major traditional sectors of our economy (e.g., forestry, mining) far exceeds our needs, and even Canadian requirements. Industries in these sectors must export in order to sustain high levels of activity and employment. For their part, industries in the emerging, nontraditional high-technology sectors (e.g., subsea industries) depend on key imports and foreign markets. In 1986, more than 26% of the provincial Gross Domestic Product (GDP) – a measure of all goods and services produced – was exported as goods. An equally high proportion of the goods needed by businesses and consumers was imported. Today, at least one in seven jobs in British Columbia is tied to trade.

VALUE OF BRITISH COLUMBIA PRODUCTION AND EXPORTS BY INDUSTRY (1987)



Through increased international trade, British Columbia can overcome a limited internal market for some goods, raise levels of employment, and improve economic performance.

...Industries must export to sustain high levels of activity and employment.

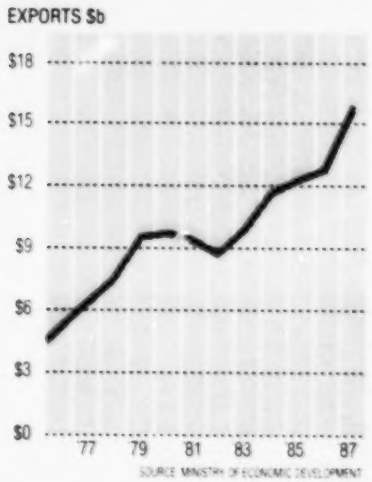
Market Access

British Columbia's trade depends not only on what we can produce and sell competitively in international markets, but also on our ability to gain access to foreign markets. No country is obligated to buy our products or sell us theirs. Accordingly, British Columbia and Canada have relied on negotiations under the General Agreement on Tariffs and Trade (GATT) to secure access to foreign markets.

British Columbia has been a major beneficiary of the GATT trading system. In the GATT, member countries (including Canada) have experienced a long period of sustained economic growth and more than a twenty-fold increase in trade since 1947. In the 1976-1987 period alone, nominal British Columbia exports increased three times, from $5.3 billion to $15.7 billion.

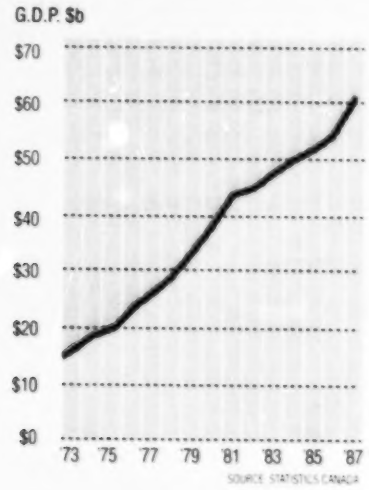
Provincial GDP, at market prices, rose from $23 billion to an estimated $60.8 billion in the same period.

TOTAL ESTIMATED BRITISH COLUMBIA EXPORTS



...British Columbia has been a major beneficiary of the GATT trading system... between 1976-1987... British Columbia exports increased by three times.

BRITISH COLUMBIA GROSS DOMESTIC PRODUCT AT MARKET PRICES



...between 1976-1987 Provincial Gross Domestic Product has risen from $23 billion to $60.8 billion...

These figures, together with numerous studies by the GATT, the Organization of Economic Cooperation and Development (OECD), and various national economic organizations, show that in GATT member countries, as in British Columbia, international trade has been the single most important stimulus to economic growth.

The largest increases in annual GDP growth rates among GATT system members have occurred in those countries experiencing the fastest increase in the number of external trade links. By specializing in what it does best and producing at optimum scale, an economy with more trade links can greatly increase its efficiency, productivity, and employment opportunities – the foundation of its standard of living. This stimulus has been particularly strong in the smaller economies of the world, such as British Columbia's, which have limited (and often geographically distant) domestic markets.

Need for New Institutional Arrangements

In recent years, British Columbia producers have come under increasing pressure from protectionist measures in the United States. These measures threaten the ability of British Columbia producers to survive and grow since, in many cases, exports from British Columbia were the target of these measures. Today, over one-third of all provincial exports to the U.S. are directly affected by current U.S. trade law actions. In this protectionist environment, the GATT system, comprising almost 100 nations, was not able to deal

...one-third of all provincial exports to the U.S. are affected by current U.S. trade law actions...

in a timely and effective manner with the serious problems Canada encountered with its major trading partner.

Clearly, in these circumstances Canada's need for secure market access requires employing both bilateral and multilateral trade liberalization options. At present, Canada is the only industrialized economy without either a large internal market or preferential access via a free trade agreement or customs union to any other market. The Canada-U.S. Free Trade Agreement corrects this shortcoming and makes major gains in increasing and securing market access in every sector of the economy. As a result, opportunities for British Columbia producers to export

...Canada is the only industrialized economy without either a large internal market or preferential access via a free trade agreement or customs union to any other market...

are numerous. As described later in this document (Sector Impacts of the Canada-U.S. Free Trade Agreement), substantial increases in export sales across a range of industries will likely occur. In the sensitive area of trade actions, the establishment of a binding bilateral dispute settlement mechanism represents the first time the United States has agreed to allow a foreign country to have direct involvement in the administration of its trade laws.

...The Canada-U.S. FTA is a trade agreement – it is not a political agreement or even an economic agreement...

The Canada-U.S. FTA is a trade agreement – it is not a political agreement or even an economic agreement, except in the sense that international trade is an important dimension of the Canadian economy. The FTA does not affect the Province's social, cultural, and regional policies or a variety of other policies that are an integral part of our identity. British Columbia's ability to act in these areas remains unchanged as a result of the FTA. If anything, Canada's ability to pursue independent social and cultural policies may well increase, as the FTA will promote faster economic growth, thus permitting a greater commitment of financial resources to these areas.

...reciprocal agreements do not impair a country's sovereignty in any way...

Concern has been expressed that Canada might be risking its sovereignty through negotiation of a free trade agreement with the U.S. Most international agreements restrain sovereignty acts in one way or another. Yet most governments freely enter into them, as they recognize that mutual constraints on certain types of sovereign acts, such as arbitrary import policies, provide mutual benefits for all countries involved. These reciprocal agreements do not impair a country's sovereignty in any way; rather, they enhance it, because it is only through the exercise of a country's sovereignty that these agreements are negotiated, concluded, and enforced.

Experience with Trade Liberalization

Since 1947, tariff levels in Canada (and other countries) have been reduced by half in GATT trade negotiations. The successful experience of British Columbia firms in adjusting to past trade liberalization is an important indication of their ability to do so under the FTA. Over the years, many British Columbia firms have rationalized production processes to make them more efficient and competitive internationally. The resultant gains in productivity have helped firms to remain competitive with foreign and other Canadian producers.

BRITISH COLUMBIA GDP vs AVERAGE CANADIAN TARIFF RATE (1975 – 1986)

...British Columbia's GDP has increased substantially as Canadian tariffs have fallen.

After the latest round of GATT negotiations concluded in 1979, Canadian tariffs fell from an average of 4.9% to approximately 4.0% in 1987. In the same period, British Columbia's GDP increased substantially.

The United States – Our Most Important Trading Partner

In 1987, 46% of all British Columbia exports went to the United States. As can be seen in the following charts, British Columbia exports have increased significantly over the past decade. British Columbia firms have responded positively to trade liberalization negotiated in the multilateral GATT context by increasing exports in important sectors.

DESTINATIONS OF BRITISH COLUMBIA ESTIMATED EXPORTS

In 1987, 46% of total British Columbia exports went to the United States; other countries have become major customers for the province

TOTAL ESTIMATED BRITISH COLUMBIA EXPORTS TO THE UNITED STATES

...British Columbia exports to the United States have increased significantly over the past decade

Within the Free Trade Agreement, British Columbia producers will have duty-free access to a market of 270 million people. In the western region alone, the FTA will give British Columbia industries secure, duty-free access to the five state economies of Washington, Oregon, California, Idaho, and Alaska. These states have a combined population of over 36 million people and a combined personal income greater than Canada's. British Columbia's past success in these markets might have increased faster, given our strong competitive advantage in certain industries,

...British Columbia producers will have duty-free access to a market of 270 million people...

had some significant trade barriers been eliminated earlier. Clearly, British Columbia firms will make further economic gains under the Canada-U.S. FTA.

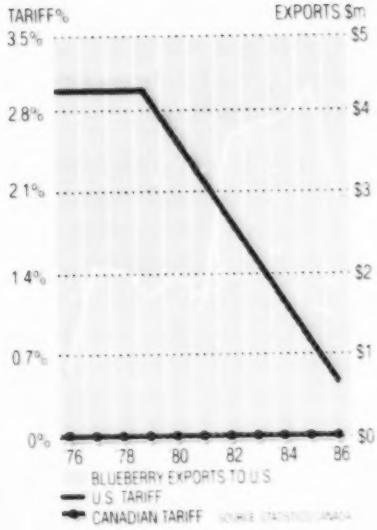
MAP OF BRITISH COLUMBIA, BORDER STATES AND CALIFORNIA

...With the FTA British Columbia producers will gain duty-free access to over 36 million people in Washington, Oregon, California, Idaho and Alaska

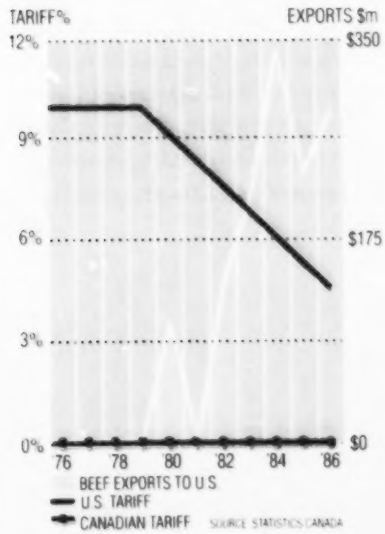
As tariffs fall, exports rise

PARTICLE BOARD

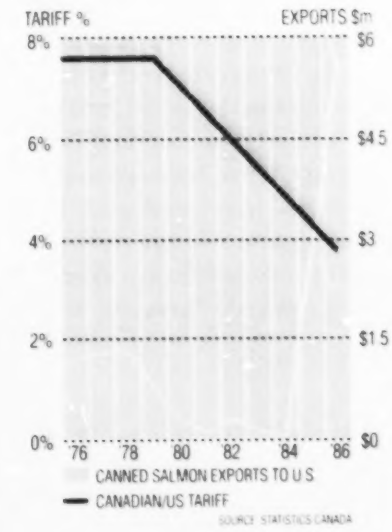
BLUEBERRIES



BEEF PORTION CONTROL CUTS & PREPARED PRESERVED MEATS



CANNED SALMON



The Importance of Other Country Markets

More than 50% of all British Columbia exports go to countries other than the United States. In recent years, these countries have grown to become major customers for the province, in terms of rising export sales for certain British Columbia industries, such as the coal industry. Of particular note has been the Pacific Rim region, and especially Japan, which now accounts for 26% of total British Columbia exports.

Certain industries in other provinces also have a critical dependence on overseas markets. In the natural resource sectors for example, almost every province depends on non-U.S. markets for an important part of sales. However, those exports are less than they could be because of trade barriers. If these barriers to trade with other countries were removed, the resultant increase in Canadian exports would make further market diversification a reality and reduce dependence on the United States market.

A Bilateral and Multilateral Approach

The British Columbia government believes the other provinces and the federal government have as strong a stake as British Columbia in seeing further improvements in the multilateral trading system. The British Columbia government remains firmly committed to the Multilateral Trade Negotiations (MTN) process under the GATT, and specifically to the Uruguay Round launched in September 1986. It is through the MTN that trade barriers in markets other than the United States can most effectively be removed.

Until recently, Canada's trade negotiations with most countries took place within the GATT/MTN process, and considerable gains were made. In this context, some Canadians have questioned why a "separate" bilateral approach is necessary to deal with our present trading relationship with the United States. While Canada has been and remains an ardent supporter of the GATT multilateral system, it is nonetheless true that Canada's principal preoccupation over the past 40 years of GATT negotiating rounds has been on securing and enhancing our export access to the United States market. However, the dangerous protectionist climate that has prevailed in our relationship with the United States required a bilateral agreement to more effectively protect our trading interests and advance our trade objectives with our major trading partner.

Fortunately, this complementary, parallel approach is feasible within the multilateral system. Bilateral free trade agreements and other like arrangements are specifically recognized within the GATT (Article XXIV). Thus, the question is not whether to choose between bilateral or multilateral trade liberalization, but how to use both approaches to achieve our objectives.

The GATT authorizes bilateral free trade agreements, provided they create trade and do not result in greater trade barriers to other countries. Given the importance of British Columbia's interest in countries other than the U.S., the Province could not accept any agreement with the United States that did not meet these conditions. The Canada-U.S. Free Trade Agreement meets these requirements, and in many respects goes beyond the minimum GATT provisions. It does so by establishing new trade liberalization rules in key areas (e.g., services, investment) not currently covered in GATT disciplines. It is hoped that the precedents set within the FTA can be expanded into multilateral commitments. Both the Canadian and U.S. governments have gone on record on this point, and they plan to cooperate in advancing these new disciplines in the continuation of the Uruguay Round - the current round of multilateral trade negotiations.

It is important to remember that the GATT, both as an international agreement and as an international institution, will remain the governing body for all trade matters between the U.S. and Canada that are not superceded by the Canada-U.S. Free Trade Agreement. British Columbia's trade policy, while supporting bilateral trade, emphasizes negotiation within the context of the GATT, and encourages other countries to engage in trade liberalization. Confidence on this point is not unfounded. Countries such as Australia and New Zealand, which have also signed a free trade agreement, have continued to work enthusiastically toward new international trade rules in subsequent multilateral negotiations.

Economic Impact Assessment

Positive Economic Forecasts – Impact on Canada

British Columbia supports the FTA because it will, overall, benefit the national and provincial economies. Numerous studies conducted by respected economic research institutions have examined the impact of the Agreement. Each study found that the FTA will be of net benefit to Canada, both in terms of employment and Gross Domestic Product.

The four studies presented in Tables 1 and 2, which were based on an examination of the final text of the Agreement, forecast that the FTA will have a moderate positive impact on the Canadian economy. Although beneficial, the forecast changes are not dramatic.

TABLE 1

Additional Canadian Gross Domestic Product Generated by the Canada-United States Trade Agreement

shown as Percentage increase (by)

Study:	
Federal Department of Finance[1]	*3.5% (long-term)*
Economic Council of Canada[2]	*2.5% (1998)*
Wharton Econometrics[3]	*2.2% (1999)*
Conference Board of Canada[4]	*1.7% (1997)*

TABLE 2

Net New Canadian Jobs Generated by the Canada-United States Trade Agreement

shown as Net number (by)

Study:	
Federal Department of Finance	*120,000 (1993)*
Economic Council of Canada	*251,000 (1998)*
Wharton Econometrics	*190,000 (1999)*
Conference Board of Canada	*150,000 (1997)*

The results of all four studies cited here are based on the assumption that Canada's trade with the United States would not decline in the absence of an Agreement. However, in its analysis, the Economic Council of Canada also simulates a situation where the Trade Agreement is not adopted and the Canada-U.S. trade relationship deteriorates. According to the Council, this would likely result in an increased number of U.S. trade actions. Investor confidence would decline as a consequence, resulting in a capital outflow from Canada. The Council's report lists the areas that have been identified as vulnerable to U.S. trade actions (e.g., electricity, copper, and beef). For the purpose of the simulation, the Council assumes that trade actions are launched and Canada loses in every case. Using this approach, the Council estimates that, by 1998, Canadian Gross National Expenditure (GNE)[5] would fall by 0.2%, while Canadian employment would decline by 22,000 jobs.

This simulation by the Economic Council reminds us that Canada cannot expect the status quo trade relationship with the United States to continue without the Agreement. The Canadian economy is vulnerable to U.S. trade actions. U.S. protectionism has increased over the past few years, as indicated by the number of trade actions taken against Canada. These important factors must be kept in mind in any discussion of the FTA and its future impact.

Positive Economic Forecasts – Impact on British Columbia

Along with the studies that examine the implications of the Canada-U.S. Trade Agreement for the national economy, a variety of studies have been undertaken to show the impact of the FTA on the economy of British Columbia. These studies affirm that British Columbia will experience net benefits as a result of the Agreement.

TABLE 3

Additional British Columbia Real Gross Domestic Product or Real Income Generated by the Canada-United States Trade Agreement

shown as Percentage increase (by)

Study:	
Economic Council of Canada	*2.64% (1998)*
Federal Department of Finance	*2.5% (long-term)**
Province of British Columbia	*2.5% (1999)*

* *real income*

1 Canada, Department of Finance, *The Canada-U.S. Free Trade Agreement: An Economic Assessment* (Ottawa, 1988)
2 Economic Council of Canada, *Venturing Forth: An Assessment of the Canada-U.S. Trade Agreement* (Ottawa, 1988)
3 Globe and Mail, February 11, 1988, p. B8
4 Conference Board of Canada, *The Canada-U.S. Free Trade Agreement – Free Trade: What it Means for Canadian Business* (Ottawa, 1988)
5 Gross National Expenditure represents total product of Canada, measured by expenditures.

TABLE 4

Net New British Columbia Jobs Generated by the Canada-United States Trade Agreement
shown as Net number (by)

Economic Council of Canada
28,884 (1998)
Federal Department of Finance
13,000 (1993)
Province of British Columbia
27,600 (1999)

The Economic Council of Canada conducted several simulations[6] in order to assess the impact of the FTA. The statistics given here represent the "most likely outcome." This outcome assumes that tariff and non-tariff impediments to trade are removed, as specified in the Agreement. The outcome also takes account of the impact of induced investment resulting in industrial rationalization and enhanced productivity. The Council's study finds that most of the new jobs created as a result of the FTA will be in the services sector (20,208), followed by construction (4,034), manufacturing (2,970), and primary industry (1,672). In both employment and economic growth, the Council's study also finds that British Columbia stands to gain more than the Canadian average from the FTA.

The federal government in its study[7] indicates that, in terms of real income, only Ontario is expected to gain more from free trade than British Columbia. The federal study did not release provincial job-impact estimates, however. The number appearing in Table 4 was calculated by distributing the FTA generated increase in Canadian employment (120,000 net new jobs) among the provinces according to 1987 employment shares.

...Gross Domestic Product per capita will increase by $283 for every British Columbian...

The provincial government forecast of the impact of the FTA is based on the British Columbia Input/Output model. The provincial study shows that the British Columbia economy will enjoy moderate gains in real GDP as a result of the FTA: 1.9% by 1994 and 2.5% by 1999. This means that by 1999 provincial real Gross Domestic Product per capita will increase by $283 for every British Columbian. The provincial model also shows that, as a result of the FTA, the province will experience increased employment. By 1994, approximately 20,500 net new jobs will be created,

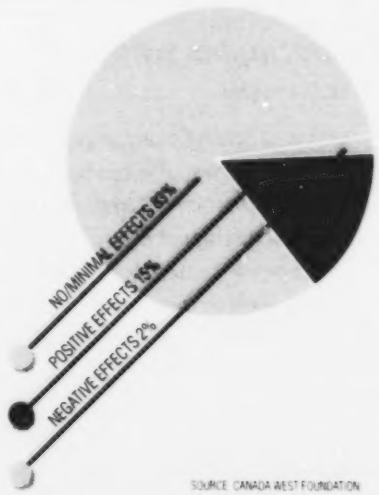
...the Agreement will, within five years, create enough new jobs to support a town the size of Chilliwack...

while by 1999 this number will rise to 27,600. These numbers correspond respectively to a 1.4% and 1.7% increase in employment. To place these figures in perspective, the Agreement will, within five years, create enough new jobs to support a town the size of Chilliwack. It must be noted, though, that these factors compare the impact of the FTA with the status quo. The status quo assumes no worsening of U.S. protectionism in the absence of a free trade agreement. This assumption may be overly optimistic given current U.S. protectionism. It must be recognized that the real measure of the benefits of the FTA is not the difference between the status quo and the Canadian economy with the FTA, but the difference between the economy with and without the Agreement.

The Canada West Foundation analysis[8] confirms that the Agreement will benefit the British Columbia economy. The Canada West Foundation estimates that over 185,000 British Columbia jobs are currently in sectors expected to benefit from the Canada-U.S. Agreement. As shown in the following chart, The Canada West Foundation predicts that the Agreement will have a direct positive effect on industries accounting for 15% of total employment in British Columbia.

6 Economic Council of Canada, *Venturing Forth: An Assessment of the Canada-U.S. Trade Agreement* (Ottawa, 1988).
7 Canada, Department of Finance, *The Canada-U.S. Free Trade Agreement: An Economic Assessment* (Ottawa, 1988).
8 Canada West Foundation, *Evaluating the Fine Print... the Free Trade Agreement and Western Canada* (Calgary, 1988)

FREE TRADE AGREEMENT IMPACT ON BRITISH COLUMBIA EMPLOYMENT



SOURCE: CANADA WEST FOUNDATION

...the Agreement will have a positive effect on total employment.

In terms of provincial GDP, sectors that benefit from the FTA account for 18% of output compared to 1.4% for industries adversely affected. The Canada West Foundation study also clearly illustrates that the benefits of the FTA will be distributed throughout the British Columbia economy. In every region, those employed in industries expected to benefit from the Agreement greatly outnumber those working in industries that could be negatively affected. Within each region, benefits will accrue to both established and emerging industries.

9 British Columbia Federation of Labour. *It's a Bad Deal for British Columbia: An Analysis of the Impact of Canada-U.S. Free Trade Agreement in British Columbia* (February, 1988)

Free Trade Benefits Every Region of the Province

PRINCE RUPERT & AREA
Labour Force: 54,300
No/Minimal Effect: 71.3%
Positive Effect: 28%
Negative Effect: 0.6%

VICTORIA/VANCOUVER ISLAND & AREA
Labour Force: 201,400
No/Minimal Effect: 85%
Positive Effect: 14%
Negative Effect: 0.8%

VANCOUVER & AREA
Labour Force: 736,900
No/Minimal Effect: 85.5%
Positive Effect: 11.7%
Negative Effect: 2.5%

KELOWNA & AREA
Labour Force: 92,300
No/Minimal Effect: 76.8%
Positive Effect: 18.2%
Negative Effect: 4.9%

NELSON & AREA
Labour Force: 36,700
No/Minimal Effect: 80.7%
Positive Effect: 16.6%
Negative Effect: 2.5%

PRINCE GEORGE & AREA
Labour Force: 80,600
No/Minimal Effect: 72.5%
Positive Effect: 26.9%
Negative Effect: 0.4%

KAMLOOPS & AREA
Labour Force: 46,700
No/Minimal Effect: 78.6%
Positive Effect: 19.3%
Negative Effect: 1.9%

KIMBERLEY/CRANBROOK & AREA
Labour Force: 25,300
No/Minimal Effect: 62.4%
Positive Effect: 36%
Negative Effect: 1.6%

SOURCE: CANADA WEST FOUNDATION

...within each region benefits will accrue to both established and emerging industries.

Negative Economic Forecasts

The only study to find that the British Columbia economy will be negatively affected by the Canada-U.S. Agreement was produced by the ***British Columbia Federation of Labour.***[9] The report asserts that British Columbia will lose 56,730 net jobs. However, it is not clear how this number was derived.

Conclusion

Economic research consistently shows that the Free Trade Agreement will be beneficial for both the Canadian and British Columbia economies. However, no economic study can capture "economic spirit" – the ability and desire of entrepreneurs to take advantage of new opportunities and the willingness of businesses to adapt. The British Columbia business community has consistently stated that it is more than capable of competing with American industry, whether it be in the Canadian or U.S. marketplace. The inability of the studies cited here to account for this eagerness-to-compete factor likely means the benefits of the FTA to British Columbia have been underestimated.

Major Benefits Overall

With the Canada-U.S. Free Trade Agreement (FTA), both Canada and the U.S. will have a strong, comprehensive institutional framework within which a unique trading relationship can grow and prosper. Listed below are five aspects of the FTA, which represent its most important benefits, according to this assessment.

Tariff Elimination

The complete elimination of tariffs in both countries will have a major impact on all economic sectors. Canadian producers will be able to specialize in production processes in which they have a competitive advantage and will be able to increase export sales to the U.S. This will encourage rationalization of production in the province and generally increase productivity and employment, as employers and employees respond to the new opportunities. Elimination of U.S. tariffs on key inputs used by British Columbia firms in their manufacturing processes will also help reduce costs and make firms more competitive.

Currently, the highest tariffs in both Canada and the U.S. tend to be on highly processed products, which creates a strong disinclination to export these products (as noted in the following graph on U.S. aluminum tariffs). Consequently, tariff elimination will also contribute to British Columbia's objective of increasing value-added processing of natural resource products.

UNITED STATES TARIFFS ON ALUMINUM AND ARTICLES THEREOF

SOURCE: TARIFF SCHEDULE OF THE UNITED STATES, ANNEX 401.2

...tariff elimination will also contribute to British Columbia's objective of increasing value-added processing.

The Rules of Origin in the Agreement will ensure that the benefits of tariff elimination will be accorded only to products substantially produced in one or both countries. Certain British Columbia producers purchase some of their inputs from offshore and incorporate these into products exported to the U.S. Generally, these sourcing patterns will be unaffected, as the Rules of Origin provide for duty-free treatment of manufactured products, provided that the inputs originating offshore are substantially transformed before being exported.

Rules/Dispute Settlement Mechanism

A number of British Columbia industries have been adversely affected by the application of certain U.S. import policies. The establishment of new procedures governing bilateral trade will be of major benefit to these industries and to all sectors of the economy. In the sensitive area of anti-dumping and countervailing duties, new rules will be developed over a five to seven- year period. While additional progress needs to be made in these areas, important gains have been made which will increase the openness, predictability, and accountability of U.S. trade law.

The dispute settlement mechanism in the FTA represents an important improvement over the existing state of affairs. At present, Canada relies largely on *ad hoc* bilateral representations and the cumbersome GATT dispute settlement process to influence trade policies in the U.S. This approach has been unsatisfactory for many British Columbia industries that depend heavily on the U.S. market. The perils of this approach were particularly evi-

...New procedures are a major breakthrough in handling trade cases...

dent in the 1986 U.S. countervailing duty case on softwood lumber, which threatened one of the province's most important industries. The new procedures in the FTA, which permit either country to resort to binding dispute settlement in anti-dumping and countervailing duty cases, represent a major breakthrough in the handling of these cases. They promise to eliminate arbitrary decisions in the administration of trade remedy law.

Temporary Business Access

Although the U.S. is British Columbia's most important market for manufactured goods, British Columbians representing their companies have often found it difficult to gain temporary entry into the U.S. to develop sales networks, supervise installation of equipment, and do after-sales servicing. Similar problems have occurred with provincial engineers and business professionals providing sophisticated services to U.S. clients. New rules in the FTA facilitating the temporary entry of business personnel will be of major benefit to the province's exporters and particularly to the emerging high technology goods and services industries (such as subsea), which depend on the U.S. for an important part of sales. However, the application of the business access rules in Canada will not diminish current efforts to prevent illegal immigration. Protection will continue for indigenous labour and permanent employment.

...Temporary entry of business personnel will be a major benefit for exporters...

Standards

Technical regulations and standards often form a significant barrier to trade. Standards measures include specifications, regulations, and rules applied to goods that are produced domestically or imported. The Agreement has recognized the potential obstacles posed by the use of standards and related measures, and both governments have agreed to make their respective standards more compatible, where desirable.

Each country still reserves the right to maintain regulations providing for the safety and protection of plant life, animal life, human life, the environment, national security, and consumers. The Agreement recognizes the legitimate use of standards applied in a non-discriminatory manner and provides for future consultations to eliminate the use of standards that constitute unnecessary obstacles to trade. This will also lessen the associated costs arising from the imposition of the various standards.

Investment

The FTA (in particular the provisions related to national treatment for foreign investment and to higher Investment Canada review thresholds) will have a positive effect on investment in a broad range of British Columbia sectors. There are several reasons for this:

- The level of investment is expected to increase under the FTA, as British Columbia firms restructure and re-tool existing operations, or build new operations to take advantage of the commercial opportunities available under the Agreement.

- Many foreign firms, particularly from the Asia/Pacific region, will have a strong interest in locating their manufacturing operations in British Columbia to take advantage of duty-free entry into the U.S. market. Such new investments are more likely to take place, because the opening of the U.S. market will permit efficient, optimum-scale operations.

...FTA will have positive effect on investment...

- The FTA's national treatment provisions, which prohibit discriminatory action against foreign investors, will significantly reduce or eliminate uncertainty about the fair treatment of foreign investment.

Sector Impacts of the FTA

The following analysis provides a reference on the expected effects of the Canada-United States Free Trade Agreement (FTA) on specific sectors of the British Columbia economy.

For each industry, there is a table giving information on employment in that sector and on the value of exports (in millions of dollars). The analysis continues with a statement on the effects of the Agreement on the sector as a whole. Each major industry in the sector is then examined in a brief discussion of the relevant elements of the Agreement and their estimated impacts on that industry. Numerical notations appearing in brackets refer to Articles of the Agreement (unless specified as referring to a Chapter). For example, (408) is a reference to Article 408 of the Agreement.

FOREST SECTOR

The Free Trade Agreement's dispute settlement mechanism (Chapter 19) will reduce the threat of American countervail actions aimed at British Columbia forestry products and will provide a more stable and predictable trade environment in which the provincial forestry industries can compete.

The British Columbia forestry industry views the Agreement as a vital means of maintaining and expanding exports to U.S. markets. Most areas of the forest industry are confident about their ability to compete with the Americans. The elimination of tariffs will result in increased opportunities for the expansion of existing product lines and the development of new lines. Also, it will decrease the costs of some specialized equipment used in the forest industry. The preservation of log export controls (1203) will maintain British Columbia's policy of encouraging value-added production in the province.

Softwood Lumber

Most sizes and grades of softwood lumber are already duty-free. The 1986 softwood lumber decision showed British Columbia that the administration of American trade remedy laws was subject to political pressures and could not be relied on for consistent decisions. Although U.S. trade remedy statutes were unchanged from a previous decision that ruled in Canada's favour, political pressures influenced the manner in which they were interpreted by the U.S. Department of Commerce, and the legal conclusions did change. Had the dispute settlement mechanism envisaged in the FTA already been in place, the softwood lumber case would probably not have evolved as it did. Under such a mechanism, Canada would have had the opportunity to present its case before an impartial binational trade dispute tribunal, where the interpretation of trade laws would be consistent.

The Agreement specifically excludes from its jurisdiction the 1986 softwood lumber Memorandum of Understanding that initially placed a 15% export tax on Canadian softwood lumber exports to the U.S. In the case of British Columbia, this export tax has been replaced by a package of internal measures, including increased stumpage charges.

Canada and the United States have undertaken to develop new rules on the issue of subsidies within the next five to seven years. These new rules will increase the predictability of decisions in cases such as the softwood lumber action.

Forest Sector

	Employment ('000)	Total B.C. Exports 1987 ($m)	Total B.C. Exports to the U.S. 1987 ($m)
Primary Forestry	*25*	*327.8*	*33.2*
Forest Product Manufacturing	*61*	*9127.7*	*4791.7*

"Our lumber industry has been significantly more efficient than our competitors in the U.S. Their efforts to restrict our access have resulted in actions that effectively penalize us for being "too" efficient. Under a Free Trade Agreement, both countries would agree to test the limits of their comparative advantages. This should work to our industry's and this province's benefit if this Agreement is approved."

–T.M. Apsey, president and CEO, Council of Forest Industries of British Columbia

Plywood

Traditionally, the issues of plywood tariffs and product standards have been a source of contention between Canada and the United States. High tariffs on plywood exist on both sides of the border and, consequently, there has been little trade in plywood between the two countries. However, in both countries current plywood standards are being expanded to include performance. The U.S. industry is concerned about access to CMHC-approved housing projects. The FTA liberalizes trade by eliminating tariffs over a ten-year period. In certain circumstances, resolution of the CMHC issue may result in tariff phase-out being delayed by the two countries.

Canada's proposed performance standards for plywood are similar to the American standards, yet differ in some key ways (e.g., bond durability). The British Columbia plywood industry produces a construction-grade plywood that is superior to that produced in the U.S. Changes currently advocated by the U.S. for the new Canadian performance standard would allow a lower-quality plywood into Canada for certain uses. These suggested changes have caused concern in the British Columbia plywood industry, which believes that such changes could result in a loss of domestic and international sales, since Canadian and international, particularly European, sales are largely based on Canada's reputation for a high-quality product.

Secondary Wood Products

According to the FTA Tariff Schedules, most secondary wood product tariffs will be phased out over the next five or ten years. British Columbia producers are already competing successfully in the U.S. market. Thus, there will be considerable opportunity for export expansion across a wide range of products. Domestic producers are expected to compete successfully against imported products.

"The removal of tariffs is a tremendous incentive to us to produce value-added products."

–John Howard, senior vice-president, law and corporate affairs, MacMillan Bloedel Ltd.

Pulp and Paper

The producers of pulp and newsprint whose products already enter the U.S. duty free are very supportive of the FTA, primarily because it provides secure access to their major market – a market that was becoming increasingly uncertain as protectionist sentiment grew in the U.S. Economic forecasts predict moderate growth in the pulp and paper industries, because they are already competitive and export-oriented. Both U.S. and Canadian tariffs on other paper products will be phased out over five years, allowing British Columbia producers time to rationalize their operations and make them more efficient.

Shakes and Shingles

In 1986, the U.S. imposed a tariff on red cedar shakes and shingles under a "safeguard action." This tariff will terminate in June 1991. The U.S. Trade Representative is scheduling a review of the 35% tariff on wood shakes and shingles to determine whether adjustments should be made in the planned phase-out of this trade action. However, any new safeguard actions by either the U.S. or Canada on either product would be subject to the new FTA safeguard and dispute settlement provisions. Safeguard action disputes will be referred to consultations and, if no resolution is reached, to binding arbitration.

ENERGY SECTOR

Free and open trade in energy is an important component of the Free Trade Agreement, since it increases and secures access to the U.S. market for British Columbia companies. It also enhances the energy security and industrial competitiveness of both countries. Canada will continue to have an independent energy policy with respect to the exploration and development of energy reserves and the ownership of energy companies. Also, government incentives for energy resource development will be allowed (906).

Under the Agreement, Canada is not obligated to supply energy to the United States. However, should either party impose restrictive measures that affect contracted exports, the other party must continue to have proportional access to the product being restricted. The FTA also affirms the energy-sharing commitments undertaken by Canada, the United States, and other countries in the "International Energy Agreement" (1974) and the GATT. Free trade in no way threatens Canada's energy security, nor will it shortchange British Columbia consumers in favour of American consumers. In fact, the FTA preserves Canada's right to restrict energy shipments for legitimate conservation reasons and to assure domestic security of supply. Canadian producers will continue to negotiate energy prices with U.S. producers on a free market basis.

The federal and provincial governments will be unable to impose higher prices on exported energy products than those charged in the Canadian market. However, the Agreement does not prevent British Columbian or Canadian companies from negotiating the price for energy exports. This means that there can be a continuation of market-based price differences between domestic and export markets; but the Agreement prohibits the use of minimum export/import price instruments, such as export taxes and related fees, to create price discrimination.

In addition, the FTA will:

- protect the Canadian policy of refusing takeovers of healthy energy companies by foreign investors
- ban the introduction of, or increase in, custom duties, surtaxes, surcharges, or custom user fees
- provide for the phase-out of present tariffs within ten years
- remove the discriminatory portion of U.S. superfund taxes on oil and prevent the implementation of additional superfund charges levied on U.S. oil imports from Canada.

Electricity

With respect to access to power transmission lines, the Agreement states that the U.S. Bonneville Power Administration (BPA) must treat B.C. Hydro no less favourably than utilities located *outside* the U.S. Pacific Northwest (Annex 905.2). Although this does represent a positive step, it falls short of the Province's objective of ensuring that the BPA will treat British Columbia electricity exports as favourably as it does electrical utilities *within* the U.S. Pacific Northwest region.

Two components of the National Energy Board (NEB) export price test are preserved. Hydro power cannot be exported if the price

- does not recover costs
- is less than the cost to Canadians for an equivalent service.

In this way, British Columbia consumers and the Province's valuable hydroelectricity resource are protected. In the ongoing consultations/negotiations under the FTA, the Province will continue to press for full "national treatment" of British Columbia electricity exports to the U.S. market.

Oil and Gas

The overall outlook for petroleum and natural gas exports to the United States is positive. The precise value of these

Energy Sector

	Employment ('000)	Total B.C. Exports 1987 ($m)	Total B.C. Exports to the U.S. 1987 ($m)
*Energy**	*19*	*2037.1*	*710.3*

*includes mineral fuels plus petroleum and coal products

exports will be dependent upon world prices. Under the FTA, the U.S. has partially lifted the Alaskan oil embargo, thereby allowing Canada to import up to 50,000 barrels per day of Alaskan crude oil (902 and Annex). This could be of increasing significance in British Columbia, as industry within the province develops the ability to refine Alaskan grade crude oil.

Annex 1607.3(4) exempts the oil, gas, and uranium sectors from changes to the ***Investment Canada Act***. Therefore, American attempts to acquire financially healthy, Canadian-controlled uranium, oil, and gas firms that have over $5 million in assets, can still be screened.

"With the elimination of tariffs on natural gas, Canadian producers will be on an equal footing with their American competitors. The overwhelming Canadian advantage in the reserves-to-production ratio will automatically draw U.S. buyers of energy to Canada. More important, we will be viewed as a secure source of natural gas, which will translate into firm, long-term contracts."

–R.E. Kadlec, President and CEO, Inland Natural Gas

Uranium

The FTA exempts Canada from any restrictions on enrichment of foreign uranium under the ***United States Atomic Energy Act*** and exempts the U.S. from Canada's requirement for further processing of uranium in Canada before it is exported.

Canadian uranium currently accounts for approximately one third of U.S. consumption. The FTA will provide further opportunities for Canadian producers to make significant gains in the U.S. market.

MINING SECTOR

The FTA will generate a positive environment for investment growth and for exploration activity. This exploration activity is essential for future development and for strengthening British Columbia's mineral base. To a considerable extent, the elimination of U.S. tariffs on British Columbia processed metal products will contribute to this positive environment.

Traditionally, the problem for the mining industry has been the high U.S. tariffs placed on certain value-added products processed in the province. The U.S. tariffs that have most affected British Columbia's mineral/ mining industry are those associated with exports of refined lead, zinc, alloys, and molybdenum compounds. For example, the American duty on zinc ores exported from British Columbia is 1.7 cents/ kilogram, while the duty on processed zinc alloys is 19%. Therefore, the processing of such minerals is usually done south of the border. This costs British Columbia jobs, income, and the opportunity to diversify. The elimination of these tariffs will provide a greater

"The principles of freer trade in goods and services, enshrined in the Free Trade Agreement, provide a sound basis for improving trade between our two countries and worldwide... Specifically, the removal of tariffs, the temporary entry for business people, the removal of any discrimination between U.S. and Canadian suppliers of service, the investment provisions, and the disputes resolution mechanism, all provide potential tangible benefits to the mining industry of British Columbia."

–Tom M. Waterland, President and CEO, Mining Association of British Columbia

Mining Sector

	Employment ('000)	Total B.C. Exports 1987 ($m)	Total B.C. Exports to the U.S. 1987 ($m)
*Mining**	*12*	*1894.2*	*408.7*

*Includes primary and secondary mining products, excluding mineral fuels

opportunity for the Province's smelting and refining operations to further process metals.

In addition, British Columbia mining companies will benefit from the duty-free entry of machinery and equipment from the U.S. and from the rationalization of U.S. manufacturing of these products. British Columbia currently imports most of the specialized mining equipment used in this province.

The Agreement's dispute settlement provisions will also reduce the risk of protectionist U.S. trade actions. Without this mechanism, U.S. protectionism could have serious consequences for British Columbia's mining operations. Certain sectors of the British Columbia mining industry would continue to be exposed to threats of American trade action which, even if unfounded, are difficult to fight when political pressures are applied by U.S. mining interests.

"Cominco supports the Free Trade Agreement between Canada and the United States... Cominco believes that the Canada-U.S.A. Free Trade Agreement will create and protect jobs in Canada, improve prosperity, and increase opportunities for the British Columbia mineral industry."

–Cominco Ltd., Employee Bulletin

High tariffs on structural building materials and electronic metals will be phased out quickly, further encouraging the diversification of British Columbia's economy.

NON-RESOURCE MANUFACTURING SECTOR

It is estimated that British Columbia's manufacturing sector will create 4,000 jobs in the province by 1995 and foster a projected GDP increase of $230 million as a result of the FTA. The elimination of tariffs should provide new incentives for diversification in British Columbia's manufacturing sector. For instance, it will put an end to the "tariff escalation" practised by the United States: U.S. tariffs normally escalate with value added, which means that duties on imported processed goods are higher than those on unprocessed goods.

In the past, this has inhibited manufacturing diversification and encouraged the shipment of unprocessed goods. The elimination of tariffs under the FTA should lead to new processing and export opportunities for manufacturers established in British Columbia. Also, production inputs for manufactured goods will be cheaper, as Canadian duties on imported U.S. inputs will be eliminated.

High-technology manufacturers will benefit significantly from easier entry of industry personnel into the U.S., as well as from increased access to U.S. technology.

Clothing and Textiles

Free trade will result in the continued development of British Columbia's textile and clothing manufacturing industry, due in part to increased levels of imported fabric and expertise. For example, Hong Kong textile makers currently sell into the U.S. market under strict quotas. Recently, the U.S. has announced that Hong Kong, South Korea, Taiwan, and Singapore will no longer be eligible for preferential tariffs. Both Pacific Rim and British Columbia textile and clothing manufacturers wishing to take advantage of the new duty-free quotas established under the FTA will have opportunities to initiate or expand operations in the Province.

Non-Resource Manufacturing Sector

	Employment ('000)	Total BC Exports 1987 ($m)	Total BC Exports to the U.S. 1987 ($m)
Non-Resource	*66*	*1215.2*	*970.5*

Aerospace

Canadian trade in aircraft, engines, and parts increased substantially following the abolition of both Canadian and U.S. tariffs on civil aircraft and parts as part of the Tokyo Round of the GATT multilateral trade negotiations.

Although exports to the U.S. are expected to increase somewhat over the long term under the FTA, the aerospace industry does not expect any significant direct impact from the Agreement, since bilateral trade in civil aircraft and aircraft parts is already duty free. As some trade barriers remain (e.g., "buy American" purchasing policies; U.S. national security regulations that preclude Canadian companies from competing for U.S. contracts), further negotiations on government procurement envisaged in the FTA could open up new market opportunities.

Electronics

The electronics sector supports the FTA, since the Agreement will open up market opportunities in the United States, limit protectionist tendencies in the American telecommunications industry, and have an overall positive impact on the British Columbia industry. By providing secure and enhanced access to the large U.S. market, the FTA gives British Columbia electronics manufacturers the opportunity to become more competitive on an international basis as well.

The elimination of tariffs will also result in less expensive inputs and a more competitive end product. Success in the electronics industry will depend on British Columbia's capacity to develop and export highly specialized products.

Subsea

The FTA is expected to have a minimal but positive effect on British Columbia's subsea industry, since current access to the U.S. market and defense contracts is largely unrestricted.

With the relaxation of American business visitor policies in accordance with Chapter 15 of the Agreement, British Columbia manufacturers of subsea products are expected to benefit from easier entry for business personnel seeking to sell and service their products, as well as from increased access to the U.S. market.

The primary market for British Columbia subsea manufacturers is presently in the oil and gas sector. If the FTA has a positive effect on that sector and leads to further exploration and production activity, it will have an indirect positive effect on the subsea industry.

Machinery

British Columbia's machinery industry comprises a wide variety of manufacturers, with the major share of factory shipments coming from firms specializing in sawmilling and other wood processing machinery. However, the industry has also been expanding its development of custom-engineered machinery for the construction, marine, and mining industries.

The American market is very important to machinery manufacturers. They point to three main elements of the FTA that will benefit their industry:

- ***Tariff elimination.*** The reduction of tariffs will give British Columbia machinery manufacturers improved access to the U.S. market and a cost advantage over other non-U.S. producers.

- ***Lower government procurement thresholds.*** Moderate benefits will accrue to the machinery sector, due to lower government procurement thresholds in the FTA. However, current U.S. restrictions on the purchase of foreign goods in transportation, defense, and energy remain largely unchanged.

- ***Easier border crossing for business travellers.*** The lifting of border restrictions for temporary business access will create new market opportunities by improving installation and after-sales services for machinery made in British Columbia.

- ***Lower input costs.*** Since British Columbia producers in a wide range of industries will be able to source U.S. equipment and inputs duty free, input costs will be lower.

Plastics

British Columbia's plastics industry has shown steady growth throughout the 1980s, due to certain advantages (energy efficiency, processability, resistance to corrosion, etc.). These advantages will not change with free trade.

The overall impact of free trade on this industry is expected to be positive. Under the Agreement, tariffs on plastics will be eliminated in equal annual increments by 1998. At present, Canadian tariffs on plastic products are 13.5% – higher than those in the United States. The loss of these protective tariffs may cause adjustment problems for a few producers, because of lower margins. From an industry perspective, the adjustments will be more than offset by new export opportunities in the U.S.

Printing

The views held by the Canadian printing industry on the expected impact of the FTA vary from one province to another. In general in British Columbia, printers are either looking forward to operating under the Agreement or are unconcerned about the effects of free trade. For instance, the U.S. prohibition on the importation of lottery tickets will be removed, providing an important market for British Columbia printers.

The Canadian Printing Industries Association, however, is critical of the FTA because current tariffs on printed matter will be eliminated by 1993 – a timeframe the Association feels is too short. (Canadian tariffs on a number of commercial printing materials are significantly higher than U.S. tariffs.)

"We are presently unable to sell our lottery products in the U.S.A. because the U.S. Criminal Code specifically bars lottery products from entering into the U.S.A. The Free Trade Agreement gives us entry into the United States (and will create) an easy 100 jobs in our company. If free trade is rejected, we will build a factory in the U.S.A., and Canada will lose the opportunity to provide supplies."

–Gene McKay, vice-president of manufacturing for Pollard Banknote (B.C.) in Kamloops

Shipbuilding and Ship Repair

The shipbuilding and ship repair industry is optimistic about the increased opportunities for Canadian shipyards to repair U.S. non-governmental vessels, as a result of the elimination of the 50% U.S. tariff on ship repairs by 1998.

Many of the benefits that could have been gained by British Columbia shipbuilders are effectively limited because of the U.S. refusal to change its ***Jones Act*** and defense procurement policies. The ***Jones Act*** currently requires that all shipping business between U.S. ports be carried out by ships built, crewed, and registered in the U.S. It also prohibits foreign flag vessels from travelling directly from one U.S. port to another. As a result of this restriction, British Columbia ports have benefited from certain types of shipping traffic (e.g., cruise ships). However, this American law amounts to a virtual prohibition on the export of Canadian-built vessels to the U.S.

A significant feature of the ship tariff phase-out is that Canada has reserved the right to apply quantitative restrictions on U.S. vessels and products being sold or offered for sale in the Canadian market, until such time as the United States removes prohibitions on Canadian vessels under the ***Jones Act***.

AGRICULTURE, FISHERIES, AND FOOD SECTOR

Tariffs scheduled for immediate elimination include Canadian tariffs on certain pork products and animal feeds; and American tariffs on certain grass seeds, pork products, and beef products. Tariffs on other meat products will be eliminated in five years, with most agricultural tariffs eliminated over a maximum ten-year period. Certain protective mechanisms will be maintained by both countries: marketing orders and the dairy support program in the U.S.; supply-managed marketing boards in Canada.

Canada and the U.S. have agreed to prohibit export subsidies on bilateral trade in agriculture to ensure that neither country can dump surplus commodities in the other's market.

The FTA encourages the harmonization or mutual recognition of agricultural, food, beverage, and related goods standards and regulations without compromising Canada's health safety requirements. Where identical standards are not desired, equivalent standards are encouraged. Ultimately, standards decisions remain at the discretion of each country.

Canada and the U.S. will engage in semi-annual consultations on agriculture (709). These consultations will include input from eight working groups, established to monitor and consult on agricultural technical standards (708). British Columbia is seeking input into these working groups. Canada is exempted from U.S. quantitative restrictions on products containing sugar (10% or less) (707).

Meat

Each country will exempt the other from restrictions under its meat import laws (704). British Columbia's red meat industry will benefit from this exemption and from the resulting freedom of trade in beef and veal.

The Canadian red meat industry has a quality advantage over the American industry in certain U.S. markets, ensuring competitiveness in those markets. When this advantage is combined with the secure access provided by the FTA's dispute resolution system, it puts the red meat producers in a good position to expand into the U.S. market. In the past, certain inspection barriers and high U.S. tariffs on certain beef products have restricted Canadian meat exports and encouraged exports of live cattle to the U.S. Under free trade, these tariffs and inspection barriers will be gradually eliminated, allowing more production to take place in Canada and permitting the meat-packing industry to increase its exports into the American market.

Grains

Provisions in Canada's ***Western Grain Transportation Act,*** which provide rail subsidies on grain exports to the U.S. such as canola oil, meal, and millfeeds, when shipped through British Columbia ports, will be eliminated. In the short term, producers of these products should expect some increase in transportation costs. Over the longer term, as U.S. tariffs are phased out, the prospects for the export of these products to the U.S. are encouraging.

As a result of these changes, a slight increase in Port of Vancouver container traffic in specialty grains is expected.

Agriculture, Fisheries, and Food Sector

	Employment ('000)	Total BC Exports 1987 ($m)	Total BC Exports to the U.S. 1987 ($m)
Primary Agriculture	*31*	*152.0*	*98.9*
*Primary Fishing**	*8*	*3.4*	*2.7*
*Food and Beverages Manufacturing***	*20*	*893.8*	*222.6*

*includes small amount of trapping **includes fish and agricultural products

Once the FTA is implemented, Canada will eliminate, conditionally, its import licenses for wheat, barley, oats, and flour (i.e., when the level of U.S. program support for these grains is roughly equivalent to Canadian support levels) (705, and Annex 705.2). This lifting of Canadian import permits for oats and barley is not expected to result in large increases of U.S. imports and an import end-use certificate will be required. Once import licenses for barley are abandoned, lower malting barley prices are expected. Wheat import licenses will remain for the immediate future, but the two-price wheat policy will be replaced within two years. Both bakers and brewers will benefit from these modifications. Under Article 705(5), significant changes in cross-border grain trade are unlikely. Current cross-border grain trade is relatively small: the value of bilateral grain trade is only one-tenth the value of cross-border trade in livestock and beef. However, Prairie and Eastern oilseed mills will benefit from the removal of high American tariffs on processed oilseeds.

Horticulture

A 20-year special adjustment mechanism, known as a "snapback tariff," will be put in place to protect British Columbia's fresh fruit and vegetable producers against seasonal import surges causing depressed price conditions (702). The snapback tariff can be applied for a maximum of 180 days and can only be invoked if the average acreage under cultivation for that product has declined or is constant (excluding converted grape acreage). This snapback tariff provision is unlikely to provide as much coverage for British Columbia producers as the present seasonal tariff regime, but it offers a longer adjustment period than does the 10-year tariff phase-out provision.

In terms of horticultural cash receipts, British Columbia's top three crops are apples, raspberries, and mushrooms. Apples and raspberries already move across the U.S. border tariff-free if they are shipped *fresh*. There is a 7% tariff on any raspberries shipped *frozen*, however. The removal of this tariff means that British Columbia's growers will eventually be able to ship frozen raspberries throughout the year, and not be restricted to shipping fresh raspberries during the harvest period. British Columbia mushroom producers will also benefit from the removal of a 25%, 5 cent per pound U.S. tariff.

"The BCFA position is to assist those commodities that benefit from the agreement to maximize their opportunities and to ensure there are adequate compensation and adjustment programs for those sectors that are impacted negatively."

–British Columbia Federation of Agriculture

British Columbia strawberry producers are expected to have some difficulty competing with U.S. growers in British Columbia retail and processing markets, once Canadian tariffs on strawberries are removed. Pick-your-own operations should hold their markets without difficulty. Horticulture retains other safeguard measures that provide some protection against injurious surges of low-quality imports. These measures include federal restrictions on bulk shipments, prohibition on consignment selling, and import grade standards.

Fruit and vegetable processors anticipate negative impacts due to the gradual elimination of high, protective Canadian tariffs on the products they produce. However, the reduction of certain input costs, along with increased product specialization and development of niche markets, provides the basis for positive adjustment over the long term.

Dairy/Poultry

Under the FTA, Canada's poultry and dairy supply management systems will be maintained. The Canadian import quota on poultry and eggs will rise slightly (706), which will increase import quotas for supply-managed poultry products. This should mitigate some of the negative impacts of lower tariffs on poultry products not under import controls for those processors/ manufacturers who must pay higher prices for their agricultural inputs than their American competitors, as lower-priced

products are made available to producers of further-processed poultry products.

The dairy sector will only be marginally affected by the FTA, as Canadian dairy policy is unchanged. The list of dairy products protected by import quotas has recently been expanded to include products such as yogurt and ice cream. This change has been initiated to reflect equivalent U.S. import restrictions on these products.

Fisheries

Free trade will have a mixed impact on British Columbia's fishing industry. Changes were expected for the fish processing industry, with or without free trade. A recent GATT ruling stated that federal government export controls on unprocessed salmon and herring amount to unfair trade practices. As a result of this ruling, Canada and British Columbia are examining alternative measures, in order to ensure that the conservation and management of salmon and herring stocks are not adversely affected. On the positive side, the elimination of tariffs under the FTA means that British Columbia processed fish products will be more competitive in the U.S. market.

Alcoholic Beverages

Canada has agreed to eliminate its discriminatory practices for U.S. exports of wine and distilled spirits (Chapter 8). This means that Canadian and U.S. wine and distilled spirit products will receive equivalent treatment (national treatment) with respect to listings (802), pricing (803), and distribution (804) policies. Differential mark-ups will be phased out over seven years, while all other discriminatory measures will be eliminated immediately.

Wine

The British Columbia wine and grape industries will have to restructure to adjust to the increased competition expected from U.S. wine producers (see Adjustment Policy section). However, adjustment in these industries will be necessary with or without free trade. This was made clear in a recent GATT panel decision on alcoholic beverages, which stated that discriminatory provincial practices must be changed to comply with international trade rules. According to the FTA, all differential price mark-ups on U.S. wines will be eliminated by January 1, 1995 (803). British Columbia consumers may benefit from reduced prices and access to more varieties of wine.

British Columbia has already recognized that the provincial wine and grape sector will require special assistance as a result of the FTA, and has announced the basic elements of a program designed to help. Assistance may also be required by other components of the agricultural sector and other British Columbia industries. These needs are being assessed on a continuing basis.

Article 802 of the Agreement states that any measure related to the listing of U.S. wine will be non-discriminatory. This will not affect private British Columbia wine stores in existence on October 4, 1987. These stores are permitted to maintain current practices, and British Columbia wineries may still limit on-premise sales to the wines they produce.

Distilled Spirits

The immediate removal of U.S. tariffs on Canadian whiskey and rum, together with the application of the national treatment principle regarding access, promises to have a positive impact on British Columbia's distilled spirits industry. Both parties to the FTA have agreed to recognize bourbon whiskey and Canadian whiskey as distinctive products of their respective countries (806). Since Canadian whiskey already has access and consumer preference in the U.S. market, it should be able to expand its market under free trade.

Beer

Tariffs on beer on both sides of the border will be eliminated. The beer industry, which was strongly opposed to the free trade negotiations as it would have had to undergo significant restructuring to compete with the U.S. breweries, is exempt from other alcohol-industry-specific measures in the FTA.

SERVICES SECTOR

The FTA represents the first time that trade in services has been fully addressed in an international trade agreement. In recent years, the provision of services has become increasingly integrated with trade in goods.

The definition of services encompasses a broad range of functions. Services such as architectural design, secretarial work, and production consulting are crucial inputs in the production of goods. In addition, services provide support to facilitate trade in goods. These include installation, financing, insuring, transporting, and after-sales maintenance.

The provision of services such as accounting, business/management consulting, and software development is often carried out in a manner that is independent of trade in goods. The Agreement recognizes the enormous growth of the services sector in Canada-U.S. trade over the past 20 years (Annex 1408). It thus represents a positive first step towards the liberalization of world trade in services. (Trade in services between the countries reached $25 billion in 1986.) Although the FTA provisions on services are not exhaustive, this fact must be viewed in the context of the present total lack of any frame of reference under GATT for setting rules for trade in services.

The relaxation and alteration of U.S. business visitor policies removes a significant hurdle to business travel and trade, and major benefits will accrue to British Columbia service sectors. For example, better access to the U.S. market will be of great benefit to British Columbia management and business consultants.

Under the FTA, the two countries have undertaken to encourage mutual recognition of professional licensing and certification standards (1403). If this occurs in the future, it will further enhance trade in services between British Columbia and the United States.

Construction

Although the direct effects of free trade on British Columbia's construction industry may be minimal, the indirect impacts could be substantial and positive. For example, the Economic Council of Canada has estimated that free trade could create a net increase of over 18 000 construction jobs in the western provinces by 1995. Also, since construction material inputs and labour are generally obtained locally, increased construction activity, due to positive macro-economic conditions created by the FTA, will benefit the province's construction services industry. Furthermore, the elimination of duty on construction tools and equipment imported from the U.S. will provide some important benefits to the British Columbia industry, in terms of construction costs.

Transportation

Free trade will have a minimal direct effect on the Province's transportation services, since they are exempt from the FTA. However, the expected increase in cross-border traffic stemming from increased trade in other services and goods will benefit the transportation industry. The elimination of tariffs on equipment and parts and the lifting of the Canadian embargo on used motor vehicles and used aircraft will also benefit transportation companies: costs will be reduced and productivity improved.

Computer Services and Communications

The telecommunications sector supports the FTA, since the Agreement will open up market opportunities in the U.S., limit protectionist tendencies in the American telecommunications industry, and have an overall positive impact on the British Columbia industry. Also, since basic telecommunication services (e.g., telephone companies) are exempt from the provisions of the

Services Sector

	Employment ('000) 1986 ($m)	Contribution to Provincial GDP
Services	*1066.0*	*3424.2*

FTA, no change is expected in the structure or regulatory nature of the telecommunications industry.

An annex to Chapter 14 of the Agreement liberalizes trade in enhanced telecommunications and computer services. This will ensure the continued development of these industries in the province by providing access to the large U.S. market, thus giving manufacturers the opportunity to become more competitive on an international basis.

The elimination of U.S. tariffs on computer and telecommunications equipment on January 1, 1989 will create immediate opportunities for British Columbia industry. The tariff elimination will result in less expensive inputs and a more competitive end product. Success in the computer services industry, however, will depend on British Columbia's capacity to develop and export highly specialized products.

Broadcasting

Under the FTA, Canada and the United States will provide copyright protection to owners of programs broadcast by distant stations and retransmitted by cable companies (2006.1). Both countries have undertaken to implement this provision on an equitable and non-discriminatory basis with respect to copyright holders from the other country, although the means of implementing this commitment will be determined by each country independently. The implementing system shall be in place by January 1, 1990 at the latest, or 12 months after the passage of Canadian enabling legislation (i.e., the ***Copyright Act*** or parts thereof). The retransmission provisions could cause increased prices for consumers, but they will prevent the pirating of cable transmission signals.

The application of a retransmission right will not restrict the CRTC's right to impose simultaneous substitution requirements, priority signal carriage rules, local program blackouts, etc. (2006.3). A joint government/private sector advisory committee will be established following the implementation of the retransmission right. Its mandate will be to review outstanding issues related to transmission rights in both countries (2006.4).

Financial/Insurance

The FTA's liberalization of trade in financial services should have a positive impact on this sector. For instance, under Article 1702, Canadian financial institutions located in the U.S. will be able to transact in instruments backed by the full credit of Canadian governments (federal, provincial, and municipal). This is a new business opportunity for Canadian banks.

"Prudential-Bache Securities Canada Ltd. believes that the future is bright for both Canada and the United States. The symbiosis and competition that have developed over the years between these two neighbours will be enhanced by Free Trade."

–George V. McGough, President and CEO, Prudential-Bache Securities Canada Ltd.

Until now, the American ***Glass-Steagall Act*** has separated commercial banking from the securities business, with the result that only dealers unaffiliated with a bank could underwrite securities in the United States. Under the FTA, Canadian financial institutions are guaranteed to receive the same treatment as U.S. banks if and when the restrictive ***Glass-Steagall*** provisions are changed. Under current conditions, the FTA does not provide many commercial opportunities in the U.S. market.

National treatment will be accorded to national financial institutions (1702, 1703) but provincially constituted financial institutions are exempted from the provisions of the Agreement.

There is a mutual commitment by both countries to liberalize markets and extend resulting benefits to each other's financial institutions. The 16% foreign asset ceiling has been removed for American banks operating in Canada. Therefore, the British Columbia goal of becoming an International Financial Centre could be furthered as additional U.S. "Schedule B" banks locate in the Province.

Tourism

A special tourism annex (1404.B.) provides for annual consultations between the two countries to identify and remove obstacles to trade in tourism services and highlight ways in which cross-border tourism may be facilitated.

Since British Columbia already has an aggressive and successful tourism industry, the FTA should have a positive impact on tourism in the province: under the Agreement, British Columbia may actively promote provincial travel and tourism opportunities in the U.S. (Annex 1404.B., Article 2). One example of this positive impact is the opportunity for those in the industry to gain access to the U.S. travel market through toll-free telephone lines connected to reservation systems in British Columbia.

Architectural Services

Architectural services are covered by Annex 1404.A, which explicitly recognizes the work underway by U.S. and Canadian professional architectural institutes regarding mutual standards of professional licensing and accreditation.

Free trade will have a positive impact on trade in architectural services, particularly as a result of the national treatment provisions and the liberalized rules for temporary entry of business professionals into the U.S.

"We feel very strongly that free trade will benefit our profession in British Columbia. It will open the border for our members to compete in the increased market in Washington, Oregon and California, and we certainly believe we can compete."

–Jennie Ambrose, Administrative Manager, Institute of Management Consultants of British Columbia

Professional Services

The Canadian Association of Management consultants estimates that there is a $3.5 billion potential market in the U.S., which the FTA will open to Canadian business and management consultants. The liberalization of American temporary business immigration rules will prove an important benefit to the province's professional service industries. Entry procedures will be less time-consuming, and access will be easier.

"The Association strongly supports and welcomes the bilateral agreement reached, as it removes serious impediments to the movement of business persons/professionals working in an already highly integrated business and scientific context. This will be reinforced with the application of national treatment and right of establishment principles."

–Paper released by the Association of Consulting Engineers of Canada

Impact on Consumers

The gains to consumers from the Free Trade Agreement are expected to be widespread and significant. These gains will be due, in part, to the removal of tariffs. Tariffs not only increase the cost, and therefore the price of imported goods, but also reduce the variety of goods available to consumers. With the FTA, consumers will have the double benefit of lower prices and a larger variety of goods. Although the actual savings to consumers are difficult to forecast, the federal government has estimated that households will save, on average, between $325 and $800 per year.

Federal calculations probably underestimate the benefits that will accrue to British Columbia consumers. The Canada West Foundation report, "Evaluating the Fine Print ... The Free Trade Agreement and Western Canada," states that there has been an unequal distribution of tariff costs and benefits among provinces. In fact, as net importers of secondary manufacturing products and exporters of resources, the western provinces have traditionally borne much of the price of tariff protection. In central Canada, the costs associated with higher import prices are offset somewhat by the increased number of manufacturing jobs created by protected industries. Western Canada has far fewer manufacturing jobs in such sectors, and therefore the costs of tariffs are not offset.

Canada has its own framework of laws, regulations, and technical standards that protect and inform consumers. The Canada-U.S. Free Trade Agreement does not require Canada to change such provisions. However, the Agreement does state that Canada and the U.S. will work to harmonize standards wherever possible, if considered desirable by each government. With this approach, adequate levels of protection will be maintained. At the same time, an increased compatibility of standards will reduce product costs, and therefore prices.

... the federal government has estimated that households will save, on average, between $325 and $800 per year.

Other changes brought about by the FTA, such as the elimination of quotas and reduced exposure to contingency protection, will also have the effect of keeping costs down and helping consumers. The net result will be that the purchasing power or real income of consumers will be increased. In summary, all consumers will see their money go further in acquiring the things they need.

British Columbians who travel to U.S. destinations and who acquire merchandise to bring back to Canada will encounter a new border crossing procedure. The provisions of the FTA will eventually allow all U.S. goods meeting the Agreement's Rules of Origin test to enter Canada on a duty-free basis. Travellers will be responsible for the payment of Canadian sales taxes on the value of goods over and above the personal exemption level, however. In effect, the new border procedure will be less onerous than the current system, which requires the payment of duty on goods valued in excess of the personal exemption limit.

"The Consumers' Association of Canada, like all consumer organizations around the world, supports fully free trade. Barriers to trade are always paid for by consumers... Free trade produces choice and competition, and gives consumers real power in the marketplace."

–Ada Brown, President, Consumers' Association of Canada – British Columbia

Adjustment Policy

The Canada-U.S. Free Trade Agreement is expected to have a positive net effect on the economy. It is anticipated that the Agreement will create a wide range of new business and economic development opportunities. The phase-out of tariffs over an extended period (ten years for the most sensitive industries) should facilitate the smooth adjustment of firms and workers as they respond to the challenges and the opportunities of the FTA, as they have to trade liberalization over the past 40 years. However, some sectors of the British Columbia economy will be negatively affected and may require adjustment assistance. This assistance might take the form of financial compensation, job retraining, or incentives to encourage the redeployment of resources.

The phase out of tariffs over an extended period (ten years for the most sensitive industries) should facilitate the smooth adjustment of firms and workers

The federal government has assembled a private sector Advisory Council on Adjustment. The Council's mandate is to

- identify opportunities arising out of the FTA for Canadian firms
- identify potential problems with existing government adjustment programs
- recommend changes to federal government programs.

the FTA is expected to have a positive net effect on the economy

Council Chairman Jean de Grandpré has stated that he does not expect much adjustment to be required as a result of the Agreement. This view is likely based on an estimate from the federal Department of Finance that up to 25,000 workers per annum will be displaced as a result of the FTA. (To put this figure into perspective, four million Canadian workers change jobs annually in the normal course of events.) The Council will likely meet with industry representatives to discuss the adjustment issue. It is expected to complete its work by June 1989. British Columbia will actively participate in the Council's work.

When speaking on adjustment, federal government representatives have consistently taken the position that adjustment assistance should be worker-oriented. This view is shared by a variety of independent research institutions such as the Economic Council of Canada.[10] British Columbia concurs with this view as well. However, the British Columbia government is also advocating the implementation of regional or community-based assistance programs for areas particularly disadvantaged by the FTA.

[10] Source: Economic Council of Canada, Managing Adjustment: Policies for Trade Sensitive Industries. Ottawa 1988.

Additional Sources of Information

Both the Province of British Columbia and the Canadian government have published materials on the Free Trade Agreement. These will be useful to individuals and firms wishing to assess the impact of the FTA. In addition, there is a wide range of publications on exporting to the United States. Provincial producers who wish to take advantage of the export opportunities created by the FTA can also make use of the various British Columbia and Canadian government export development services available.

The following publications on the FTA and on related export development services are currently available. It is important to note that additional publications are planned by both levels of government. Exporters are advised to maintain regular contact through "sources" (identified below) or through the appropriate sector and market development officers in both provincial and federal governments.

British Columbia Publications

Basic Documents

- The Free Trade Agreement: Impact on British Columbia
- Building Future Opportunities – British Columbia and the Canada/United States Bilateral Trade Negotiations – *A detailed overview of the government of British Columbia's position on freer trade with the United States*

Export Development Information

- British Columbia Trade Bulletin – *A directory of current export and import opportunities by company and product*
- Export Assistance British Columbia – *An information folder describing export incentive programs and how to access them*
- External Trade Report – *An annual report providing detailed information about British Columbia commodity trade. Also included are summary tables, graphs, and other analytical information*
- Learn How to Export to the Border States – *An information pamphlet about a hands-on, on-site seminar, teaching the basics of exporting to border states*

For further information on free trade and trade opportunities, write: **Trade Policy Branch**
Ministry of Economic Development
1405 Douglas Street
Victoria, British Columbia
V8W 3C1

Canadian Government Documents

The following publications are available from

- the Department of External Affairs, Info Export
- Regional Offices of the Department of Regional Industrial Expansion (DRIE)
- branches of the Federal Business Development Bank (legal text and synopsis only)
- the International Trade Communications Group, Department of External Affairs (DMTN), 125 Sussex Drive, Ottawa, Ont. K1A 0G2

Basic Documents

- Synopsis of the Agreement
- The Free Trade Agreement, In Brief
- The Legal Text of the Agreement
- Canadian Tariff Schedule
- U.S. Tariff Schedule
- Canada's Trade Statistics Handbook
- The World Our Market

Regional Pamphlets

- Atlantic Canada
- Quebec
- Ontario
- Prairies
- British Columbia
- Yukon & Northwest Territories

Issue Pamphlets

- Automotive
- Agriculture
- Consumer Interest
- Culture
- Dispute Settlement
- Energy
- Fisheries
- Forestry
- Investment
- Key Benefits
- Tariffs
- Women

Impact Assessment Studies (Consumer Brochures)

- Economic
- Fisheries
- Agriculture
- Services *(to be released)*
- Women
- Canadian Consumers
- Energy
- Metals and Minerals
- Forestry
- Industry

Hotlines

Canadian Government Business Information Centre:
1-800-663-0433 (toll free number)
666-2255 (local calls/OR)

To order publications (Ottawa):
1-800-387-0660 (toll free)

Glossary of Terms

Adjustment Assistance Financial help, training, re-employment assistance to workers, and technical assistance to firms and industries to help them cope with adjustment difficulties arising from increased import competition. The objective of the assistance is usually to help those working in an industry to become more competitive in the same line of production or move into other economic activities.

The aid to workers can take the form of training (to qualify the affected individuals for employment in new or expanding industries), relocation allowances (to help them move from areas characterized by high unemployment to areas where employment may be available) or unemployment compensation (to tide them over while they are searching for new jobs).

Anti-dumping Duties Additional duties imposed by an importing country in instances where imports are priced at less than the "normal" price charged in the exporter's domestic market and are causing material injury to domestic industry in the importing country.

Balance of payments A tabulation of a country's credit and debit transactions with other countries and international institutions.

Balance of Trade A component of the balance of payments, or the surplus or deficit that results from comparing a country's expenditures on merchandise imports with receipts derived from its merchandise exports.

Binding Agreeing to maintain a particular tariff level or other trade restriction (i.e., binding it against increase or change). In trade negotiations, binding a tariff is considered equivalent to making a significant reduction in the level. The industrialized countries have virtually bound all their tariffs on industrial products in seven rounds of GATT negotiations.

Binding Arbitration Concept in dispute settlement where the parties to the dispute agree at the outset to abide by the results of dispute settlement procedures.

Contingency Protection A protective set of laws that are activated if certain events occur. A collective term referring to anti-dumping, countervailing duties, safeguards, and others.

Countervailing Duties Additional duties imposed by the importing country to offset government subsidies in the exporting country, when the subsidized imports cause material injury to domestic industry in the importing country.

Customs Harmonization International efforts to increase the uniformity of customs nomenclatures and procedures in co-operating countries.

Dispute Settlement Those institutional provisions in a trade agreement that provide the means by which differences between the parties can be settled.

Domestic Content Requirement A requirement that firms selling a particular product within a particular country must use, as a certain percentage of their inputs, goods produced within that country.

Duty Remission Import duties or taxes waived or remitted contingently by a government, in whole or in part, to a particular company or industry, based on companies meeting certain performance requirements (e.g., producing or exporting certain value-added products). The duties or taxes waived are often applied to imports of components, parts, or products used to complete a product line.

Drawback Import duties or taxes repaid by a government in whole or part, when the imported goods are re-exported or used in the manufacture of exported goods.

Escape Clause A provision in an agreement permitting a nation to suspend tariff or other concessions when imports threaten serious harm to the producers of competitive domestic goods. GATT Article XIX sanctions such "safeguard" provisions to help firms and workers adversely affected by a relatively sudden surge of imports adjust to the rising level of import competition. See also Safeguards.

Export Quotas Specific restrictions or ceilings imposed by an exporting country on the value or volume of certain exports, designed to protect domestic producers and consumers from temporary shortages of the goods affected or to bolster their prices in world markets.

Free Trade Used as a general term to denote the end result of a process of trade liberalization.

Free-Trade Area A co-operative arrangement among two or more nations that have agreed to remove substantially all tariff and non-tariff barriers to trade with each other, while each maintains its differing schedule of tariffs applying to all other nations.

Free-Trade Zone An area within a country (a seaport, airport, warehouse or any designated area) regarded as being outside its customs territory. Importers may therefore bring goods of foreign origin into such an area without paying customs duties and taxes, pending their eventual processing, trans-shipment or re-exportation.

GATT The General Agreement on Tariffs and Trade (GATT) is a multilateral treaty subscribed to by 95 countries, which together account for more than four-fifths of world trade. This treaty contains the rules for international trade. The primary objective of GATT is to liberalize world trade and place it on a secure basis, thereby contributing to global economic growth and development.

Government Procurement The purchase of goods and services by official government agencies. As a non-tariff barrier to trade, it refers to discriminatory purchases from domestic suppliers, even when imported goods are more competitive.

Grandfather Clause A GATT provision that allowed the original contracting parties to accept general GATT obligations, despite the fact that some existing domestic legislation was otherwise inconsistent with GATT provisions. More generally, any clause in an agreement which provides that certain existing legislation, programs, practices, and policies are exempt from an obligation.

Gross Domestic Product (GDP) Measure of all goods and services produced in an economy.
Injury The requirement, under GATT, that an industry seeking trade relief establish that it has been hurt by foreign competition.
Market Access Availability of a national market to exporting countries (i.e., reflecting a government's willingness to permit imports to compete relatively unimpeded with similar domestically produced goods).
National Treatment This expression refers to the extension to imported goods of a treatment no less favourable than that accorded to domestic products with respect to internal taxes, laws, regulations, and requirements. GATT members are obliged to accord to one another "national treatment" with respect to internal measures that can affect trade.
Non-Tariff Barriers Government measures or policies other than tariffs which restrict or distort international trade. Examples include import quotas, discriminatory government procurement practices. Such measures have become relatively more conspicuous impediments to trade as tariffs have been reduced since World War II.

Protectionism The deliberate use or encouragement of restrictions on imports to enable relatively inefficient domestic producers to compete successfully with foreign producers.
Quantitative Restrictions Explicit limits or quotas on the physical amounts of particular commodities that can be imported or exported during a specified time period, usually measured by volume, but sometimes by value.
Quota A limit of the quantity of a product that may be imported by (or sold to) a country. Import quotas are enforced by the receiving nation, export quotas by the country of origin.
Reciprocity The practice by which governments extend similar concessions to each other, as when one government lowers its tariffs or other barriers impeding its imports in exchange for equivalent concessions from a trading partner on barriers affecting its exports.
Rules of Origin Measures used to differentiate between goods originating in one country and those originating in another for the purpose of the application of trade measures such as tariffs. For example, goods made up of components originating in various countries, but which when assembled, add 50 percent to their overall value may be considered to be goods originating in one country. On the other hand, goods whose assembly represents a 25 per cent increase in value would not qualify. Such rules are very important for countries which are members of a free-trade area.

Safeguards Emergency actions in the form of additional duties or import quotas applied to fairly traded imports, which nevertheless cause or threaten serious injury to domestic producers.
Sectoral Trade Agreement A trade agreement limited in its application to a particular group of related products or services comprising a sector. The Auto Pact is an example of a bilateral sectoral agreement.
Services Economic activities, the result of which is the provision of services rather than goods. Includes such diverse activities as transportation, communications, insurance, banking, advertising, consulting, distribution, engineering, medicine, education, etc. It is the fastest growing area of economic activity in Canada. Two-thirds or working Canadians are now employed in the services sector. Trade in services takes place when a service is exported from a supplier nation to another nation, such as an international airflight, the extension of credit, or the design of a bridge.
Subsidy An economic benefit granted by the government to producers or goods, often to strengthen their competitive position. The subsidy may be direct (a cash grant) or indirect (low-interest export credits guaranteed by a government agency).